

A.M.A. NEWS LETTER

AMERICAN MANAGEMENT ASSOCIATION, 20 VESEY STREET, NEW YORK, N. Y.

JANUARY 20, 1936

Middle Line Favored For Tone of Meetings

Seriousness More a Boon Than a Burden, But Not to Be Taken Too Seriously

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But we had asked for it—as several of those who wrote pointed out—so we manfully set ourselves to the task of finding "the consensus of opinion" (a vicious phrase). Well, we found it—we had that satisfaction—but only after we had consulted the Association's president, M. C. Rorty, who cleared up our muddle in jig-time.

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And there you have it. In other words, we're serious but we can bear it. The up-shot of the whole matter is that things will remain about the same at AMA meetings, but we won't forget that we have a sense of humor. The days spent at our conferences are days of work and study, but who doesn't get in a laugh or two on a working day?

PLANS IN SHAPE FOR PACKAGE CONFERENCE

Practicality will be the dominating factor at the Packaging Conference, which will be held March 3-6 at the Hotel Pennsylvania, it was indicated this week as more information about the conference was released by those who are making the preparations.

The Wolf awards will be made from strictly a practical standpoint, with each of the twenty classifications demanding "effectiveness"; that is, "the most effective package employing a single color," "the most effective use of more than one color," etc. This marks a most progressive step in the judgment of package value.

The two clinics at the conference—vitally important features—will also be conducted on extremely practical lines. The General Unit Package Clinic will be conducted by Arthur S. Allen, Colorist, and Joseph Givner of Sears, Roebuck and Co., with a committee assisting.

These men will constructively criticize the packages selected for demonstration from the standpoints of the designer, plate maker, paper and board manufacturer, printer, advertiser and merchandiser. From seven to ten packages will be manhandled by this group of "doctors" and will then be thrown into the arena for general discussion.

The General Packing and Shipping Clinic will be the same as the Unit Package Clinic, except that the packages will be analyzed from the transportation angles. This should be one of the most interesting features of the conference, and will be handled by a committee headed by Albert H. Luhrs, President, Container Testing Laboratories, Inc.

THE AMA LIBRARY

Since we are always getting new members, there is always someone "discovering" our library—an experience which never fails to please us because it never fails to please them. After a few minutes inspection the new member usually exclaims: "This is some library!" making everyone who helped to build it up, including the librarian, Miss Muller, feel pretty good.

If you haven't time to come and be astonished by our library, then do this:

INNOVATION

When you consult the inside pages of this issue of *The News Letter*, you will notice an innovation. In an effort to make the *Business Conditions and Forecasts* more visual and readable we have stamped a legend across the pages that tells what the trend is. The idea is to save your time. You can read the various items for more detailed information, but the situation in a nutshell is in the big type. The estimate is based on the material in the boxes, and from month to month, we will try to give the trend whether it be up or down or neutral.

It might be mentioned, by the way, that the new year which is just getting its eyes open seems to be a healthy enough brat, with as lusty a squall as we've heard since its brothers of the pre-dip decade. (We sure had a tough old time bringing him into the world.) Let's start a trust fund for him of sanity, courage, and progressiveness.

Discounts Available

Members are urged again to take advantage of discounts which are allowable to various kinds of membership in purchasing copies of AMA publications. We shall restate them as follows:

Classes A, B, and C Company Memberships—60 per cent; Class D Company Memberships and Limited Company Memberships—50 per cent; all classes of Individual Memberships—20 per cent. Please figure these discounts from the list price when sending your order for literature.

The next time that your attention is called to a really *significant* book, pamphlet or report on a business subject that makes you think "I'd like to have a look at that," just tell our librarian what you want and we'll try to secure the literature for you.

The large number of books (about 5,000 volumes) on our shelves is not the most significant fact. It's the *kind* of books that counts, and our volumes, accumulated over a long period of years, are carefully and painstakingly selected.

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THE A.M.A.

A non-profit organization of professional executives whose job it is to get the day's work done - Practical solutions for practical problems.

Big Group Expected At Chicago Meeting

As the Chicago Personnel and Industrial Relations Conference draws near, there are increasing indications that an important group from the leading business and industrial companies will be present. Papers will deal both with company policies under new Federal and State legislation and with such management problems as selection, training, compensation, and personnel and payroll records.

Among those on the program are: Harold B. Bergen, Director of Industrial Relations, The Procter & Gamble Company; John D. Black, Partner of Winston, Strawn & Shaw; J. Douglas Brown, Director, Industrial Relations Section, Princeton University; C. G. Eubank, Director, Industrial Relations Department, Kimberly-Clark Corporation; M. B. Folsom, Treasurer, Eastman Kodak Company; Tom M. Girdler, Chairman and President, Republic Steel Corporation; Edward N. Hay, Personnel Officer, The Pennsylvania Company; George Kelly, Vice-President, The Pullman Company; Frank L. King, Comptroller, Continental Illinois National Bank and Trust Company of Chicago; James O. McKinsey, Chairman, Marshall Field & Company; Harold C. Pennicke, Associate, W. H. Leffingwell, Inc.; Dr. Samuel N. Stevens, Director, Psychology Department, The University College, Northwestern University; H. W. Story, Vice-President and General Attorney, Allis-Chalmers Manufacturing Company; Arthur H. Young, Vice-President in Charge of Industrial Relations, United States Steel Corporation; Glenn Bowers, Director of New York State Unemployment Insurance, and Whit- ings Williams, Industrial Consultant.

NEW GOAL SOUGHT FOR AMA IN 1936

You will be looking for better business in 1936, and from all accounts you are going to get it. Things very decidedly seem to be looking up.

With all this optimism in the air, the AMA, too, is readying itself to keep pace with business as it enters the new epoch. To meet the present demands for meetings, more general activities and service to members, the Association's revenue will have to be increased a great deal. At present the Association is operating at less than half the income it had in 1929.

With the pump-priming done in 1935 about to yield some benefits, and the bright prospects for 1936, AMA sees before it an exceptionally bright picture.

Now you—reader of *The News Letter*—give our sled a push. Lend your efforts to ours. Mention the AMA to those persons whom you think would make desirable members. When you write to them about a business matter add a P.S. urging them to join the Association. You will be doing them and yourself a favor, because the AMA is set up in such a manner that its services become more valuable to the member as the total number of members is increased.

On the form enclosed with this *News Letter* send us the names of five chief executives of non-member companies, giving permission to use your name so that our letter to them will be more effective.

Some of you have already helped us in this way and we want to acknowledge our appreciation. The assistance already given convinces us that more of it will enable us to reach our goal.

Writes for Barron's

A review of progress and trends in management in 1935 by Col. M. C. Rorty, President of the AMA, appeared in the January 6 issue of *Barron's, The National Financial Weekly*. The article will be reprinted in the February number of *The Management Review*.

Insurance Division Picks Atlantic City

Conference to Be May 11-12, 1936 At the Chalfonte-Haddon Hall

This year the Insurance Division of the AMA will hold its conference Monday and Tuesday, May 11 and 12, 1936 at Chalfonte-Haddon Hall, Atlantic City, N. J., Alvin E. Dodd, Executive Vice President of the Association, announced this week. Members of the Insurance Division urged this selection because the National Fire Protection Association is holding its meetings at the same hotel later the same week.

Preliminary work on the formation of the program is in progress under the leadership of J. A. Robinson, Insurance Manager, McKesson & Robbins, Incorporated, and AMA Vice President in Charge of the Insurance Division. Last week, he and others active in this Division met with Executive Vice President Dodd to consider plans and topics, including many suggested in thoughtfully prepared letters from members who could not be in New York for this committee meeting.

For the four half-day sessions, these subjects are tentatively planned:

1. How present trends in legislation affect the insurance buyer. How may insurance buyers bring about simplification of insurance plans?
2. How may insurance costs be reduced through practical accident prevention programs?
3. Round Table Discussion of current problems, led by authorities.
4. What should be done with group insurance under social security laws?

The Risk Research Institute, national organization of insurance buyers, has offered to plan the program for a dinner meeting along the lines of the highly successful and enjoyable dinner last year.

THOSE WHO ARE PLANNING THE MEETING WILL APPRECIATE IT IF MEMBERS INTERESTED WILL SEND TO AMA HEADQUARTERS FRANK COMMENT AS TO THE SUBJECTS IN WHICH THEY ARE MOST INTERESTED AND AS TO INDIVIDUALS WHO MIGHT MAKE OUTSTANDING CONTRIBUTIONS TO THIS PROGRAM.

This digest does not include any advice from

Vol. 9, No. 2

GENERAL OUTLOOK

MONEY AND CREDIT

SECURITY MARKETS

PRODUCTION

DISTRIBUTION

BUILDING

AGRICULTURE

COMMODITY PRICES

FOREIGN TRADE AND CONDITIONS

LABOR AND WAGES

This digest covers the views of various authorities. It does not include any strictly confidential information nor specific advice from the sources.

BUSINESS CONDITIONS

Vol. 9, No. 1

January, 1936

| | ALEXANDER HAMILTON INSTITUTE | BABSON STATISTICAL ORGANIZATION | BROOKMIRE, INC. | THOMAS GIBSON, INC. |
|------------------------------|--|--|--|--|
| GENERAL OUTLOOK | Insofar as fundamentally unsound situations are corrected the results of the invalidation of the AAA should be beneficial to farm producer and the consumer of farm products alike (January 9). | New year off to a start around peak levels, with anticipated January dip not expected to be sharp—further declining tendencies perhaps in February—such recessions should not be serious, even though abrupt (January 13). | The ultimate effect of the AAA decision should be to fortify the long-term confidence which leads to capital expansion and restored prosperity (January 11). | With the prospective stimulation of WPA and bonus payments, and the further prospect of new capital markets reopening, the probability of the recovery movement developing into a major prosperity period becomes brighter (January 10). |
| MONEY AND CREDIT | The huge and irrational movements of gold indicate clearly the necessity of currency stabilization. Whether this will be accomplished during 1936 is open to question (January 11). | | In 1936 refinancing should continue heavy, new financing is due to grow in volume, and mortgage money will probably flow freely into construction channels (January 4). | Rising net demand deposits created out of government deficits show every sign of further important expansion. Confidence is rising and the will to buy is increasing (January 10). |
| CURRENCY MARKETS | While bond prices are not at the century's highest point, it is probable that if that point is reached it will be by a further narrowing of the gap between bonds of the first grade and those of medium rating (January 9). | Our conjecture is that one of the landmarks for 1936 will be a flood of new bond offerings bearing conversion privileges. Investors who fear inflation will appreciate the idea of bonds that are convertible into stocks (January 6). | Underlying market strength was again demonstrated by the small degree of uncertainty in market action which the announcement of the AAA decision produced (January 11). | The great rise in stock market values since April 1 with practically no expansion in brokers' loans is an unprecedented phenomenon and makes for a position of unparalleled internal strength in the market (January 10). |
| PRODUCTION | The relatively high rate of November manufacturing activity was somewhat artificial, since the automobile industry's early start on next year's requirements may augur modified activity early in 1936 (January 4). | Strength persists in the electric power industry, with recent weekly production exceeding two billion kw. h. for the first time in history. The average weekly gain over a year ago was around 12% (January 6). | Electric power output in the last week of December receded somewhat from the previous record week but after seasonal correction it stood at an all-time high record (January 4). | Electric power output continues more than 11% above last year. Steel production is rising after the holiday recession, and is again above 50% of capacity, with every indication of further advance (January 10). |
| DISTRIBUTION | Freight car loadings in the last quarter of 1935 were larger than in any previous quarter since the last fourth of 1931, a gain considerably greater than anticipated by the 13 shippers' regional advisory boards (January 11). | Most wholesale lines report better business. Even though holiday buying was a big stimulant, improvement had been noted for several months previous in various sections of the country (January 6). | Carloadings in December, 7% smaller than in November, did not fall by the usual seasonal amount. November machine tool orders, 9% below October and 25% below the year's peak in August, were 79% higher than in 1934 (January 4). | Freight car loadings are up about 8%. Retailers are replenishing depleted inventories and consumption continues at record-breaking levels (January 10). |
| BUILDING | | What we are now witnessing is the start of revival in the railroad industries, and the simultaneous advance to new highs in the building and construction trades (January 13). | Residential building in 1936 promises to experience a marked degree of revival, recovery of industry and transportation should gain further momentum and plant construction should increase (January 4). | In the first 22 days of December new residential construction contracts amounted to \$36,000,000 compared with \$10,000,000 in the same days a year ago and a total of \$40,000,000 for the entire month of November (January 10). |
| AGRICULTURE | The AAA had little if anything to do with the expansion of farm income. It may be expected then that the invalidation of the Act will have no effect on the future course of farm income (January 11). | Whereas Government put \$500,000,000 in farmer's pockets last year, nature can still enrich the 3 to 4 billion dollars to earn the income averaged by farmers for a decade before depression (January 13). | The Government will continue to see ways of helping farmers; general recovery will permit absorption of larger crops at reasonably good prices, thus actually tending to increase farm income (January 11). | Preliminary reports indicate greater subsoil moisture and greater crops for the coming year (January 3). |
| COMMODITY PRICES | | Any decline in commodity prices will be of a temporary nature, and will offer opportunities to alert buyers to lay in supplies at prices which should show good profits (January 6). | Commodity prices are likely to rise over a long period and ultimately reach much higher levels. In 1936, industrial materials should be stronger than agricultural products (January 4). | The position of cotton is not good, but the inflationary tide promises to raise cotton prices. With this exception, the AAA decision will probably have no important effect upon commodity prices (January 10). |
| FOREIGN TRADE AND CONDITIONS | If sound political conditions and a better spirit of understanding and cooperation should prevail among leading countries, the recovery forces begun in 1932 would bring further economic and financial progress in 1936 (January 4). | Sooner or later France and other gold bloc countries will modify or abandon their present gold standard, thereby depressing prices of cotton, wheat, rubber, and other international commodities (January 6). | In November, exports rose contrary to seasonal as a result of larger automobile, cotton and petroleum products shipments. Imports showed a much greater than seasonal decline, though above 1934 (January 4). | Russia is not yet ready for war with Japan and the issue may be postponed beyond the end of 1936. In Africa, stiffer resistance to Italy, mounting expense, and a threatening rainy season indicate a compromise (January 3). |
| LABOR AND WAGES | After a three-month decline to a new low for the recovery, the number of persons unemployed in the U. S. rose from 12,109,000 in October to 12,194,000 in November. The number employed declined from 38,537,000 to 38,476,000 (January 11). | As 1936 moves along, strikes will be more frequent, and there will be a general stiffening in the demands of labor, with rising living costs adding fuel to their demands (January 6). | Employment and payrolls receded slightly, but less than seasonally, between October and November. Seasonal declines occurring in consumers' goods industries were nearly offset by gains in durable goods (January 4). | |

NEWS AND FORECASTS

Prepared Monthly by the AMERICAN MANAGEMENT ASSOCIATION
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1936

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| | BUSINESS WEEK | CLEVELAND TRUST COMPANY | GUARANTY TRUST COMPANY | NATIONAL CITY BANK |
|--|--|--|--|--|
| lation s, and capital ability develop- perity uary | <p>Profit prospects remain favorable in view of better consumption demand, stable prices, and despite the inevitable increase in taxes flowing from social security experiments (January 4).</p> | <p>Unless serious uncertainties are injected into business conditions, the controlling factors in continuing recovery promise to be the natural forces of expansion and the artificial ones of subsidy (January 15).</p> | <p>The index of business activity of the Guaranty Trust Company for the first eleven months of 1935 stands at an average level of 100 as against an average of 92 for 1934, 63.6 for 1933, and 58.6 for 1932 (December 30).</p> | <p>Recovery signs are now most widespread since upturn in 1932. Spring recessions will be limited if true recovery is underway. A reasonable belief is that partial improvement would survive if government spending ceased (January).</p> |
| posits deficits r im- ce is is in- | <p>Refunding issues will probably dominate capital markets, but more new funds should make their appearance in 1936 than in 1935. Top-heavy bank reserves will continue to constitute a problem (January 4).</p> | <p>If the Townsend Plan had been in effect in 1935, the average income of all Americans over 60 would have been something over \$2,400; of all those younger than 60, about \$211 (January 15).</p> | <p>The government deficit situation is causing growing concern as a potential source of inflation. Huge gold imports and financing of the Federal deficit by banks were the two principal causes for the expansion in bank deposits (December 30).</p> | <p>The government deficit in 1936 may not be greatly reduced, despite greater tax receipts, for it is presumed that Congress will authorize a payment to the veterans, and relief demands will continue (January).</p> |
| market practi- okers' enom- on of th in | <p>SEC gave small stock exchanges a break in recommending to Congress that they be permitted to continue unlisted departments. They hopefully expect Landis to advise Congress against separation of brokers and dealers (January 11).</p> | <p>The combining of all the dividend-paying common stocks regularly traded on the New York Exchange appear much less expensive than those of the public utilities, whose prices appear high compared with dividends (January 11).</p> | <p>The most favorable financial change has been revival of activity in the new securities market. Issues through November this year amounted to more than double the total a year ago (December 30).</p> | |
| tinues year. after again every lvance | <p>December steel operating rate reached the year's high at 55.7% of capacity. Total tonnage produced exceeded 33.4 millions, a 31% gain over the 25.6 million tons of 1934, making the best year since 1930 (January 11).</p> | <p>The volume of industrial production has been increasing since last summer, and the advance during the past three months has been unusually rapid (January 15).</p> | <p>The largest percentage increases in profits (more than 3 times as large) during 1935 over 1934 have been reported by the machinery and tool group; electric equipment companies doubled their earnings during the interval (December 30).</p> | <p>The reequipping of industry, begun in 1935, under conditions of free competition and high wage rates, seems certain to continue, since the need to reduce costs through improved machinery is endless (January).</p> |
| e of phen- record- 0). | <p>December estimates for passenger car sales top 200,000, a new record for the month. November also ran highest for the month with 220,262 cars. November truck sales ran 31% ahead of a year ago (January 11).</p> | <p>A recent number of the <i>Commentator</i>, house organ of Trainer and Associates, New York City, presents data showing that American householders have been spending substantial sums on home improvement goods during the depression (January 15).</p> | <p>Retail trade during the holiday season appears to have made the best record in several years (December 30).</p> | <p>Most motor companies have made remarkable sales records since introducing their new models. The industry, however, has clearly done part of its 1936 business in 1935, and expects sales to decline in January and February (January).</p> |
| Decem- uction 00,000 in the a total month | <p>Heavy engineering contracts for the first week in 1936 total \$102.5 millions, highest for any week since early 1930 (largely due to the TVA project) (January 11).</p> | <p>Building contracts were higher in the first half of December than in any other half month in almost five years (January 15).</p> | | <p>Building contracts awarded in the first half of December were nearly three times as great as the 1934 comparable figure, due chiefly to public works contracts placed before the December 15 deadline to obtain Federal aid (January).</p> |
| indicate and g year | <p>"Farm relief" is with us to stay, no matter what method may be needed to circumvent constitutional objections and no matter which party wins election (January 11).</p> | | <p>The Department of Agriculture's index of farm prices on November 15 was 7% higher than in 1934, the index of prices paid by farmers was 2% lower. The ratio of prices received to prices paid rose 10% during the year (December 30).</p> | <p>There is hope of still another year of improved farm income. The outlook is for larger crops, given average growing conditions, larger livestock production, and greater consumer demand (January).</p> |
| is not y tide prices. A de- no im- modity | <p>Food and textile concerns regard the end of AAA as insuring more profitable returns. Consumers expect lower prices, more consumption, but manufacturers claiming absorption of the tax are loath to reduce prices (January 11).</p> | | <p>The index of wholesale commodity prices of the Bureau of Labor Statistics for December 14 stands at a level 5.3% above that a year ago and 14.1 above that two years ago (December 30).</p> | <p>The rise in the prices of basic products represents a fundamental change in the situation, in that it revives buying power over wide areas of the earth's surface and restores the basis for trade (January).</p> |
| or war may be f 1936. nce to and a indicate | <p>In foreign affairs, increasing tension can be expected, particularly in the Far East (January 4).</p> | | <p>Revival is worldwide and has proceeded faster in many foreign countries than in the United States (December 30).</p> | <p>Year-end world conditions augur further recovery in many countries. There are, however, the menace of European conflict, the difficulties of the gold bloc, and the outcome of China's efforts to adjust her monetary system (January).</p> |
| | <p>In 1936 more reemployment may be expected, particularly in the building industry, but no demobilization of the vast army of unemployed (January 4).</p> | <p>Discussions of permanent support in idleness of large numbers of potential workers are futile, while the total national production of useful goods is still far below that of pre-depression years (January 15).</p> | <p>Factory employment declined last month by less than the seasonal amount (December 30).</p> | <p>The unevenness of the recovery explains the unemployment which is still the chief problem of the depression (January).</p> |